

Management News

BUSINESS CONDITIONS & FORECASTS

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American Management Association



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The President's Scratch-Pad

AMA's Annual Report

At AMA's annual meeting held in New York City on June 15, the Association's activities for the fiscal year 1943-1944 were described in highlight. AMA members will shortly receive the Association's annual report, detailing those activities. In the meantime, it may be interesting to members to have a preview of the annual report, particularly because AMA's work provides a clear reflection of the problems that confront management and of their solutions.

During 1943-1944, the war, of course, dominated the national economy, and management thinking was concerned overwhelmingly with the task of heightening the effectiveness of industry's contribution to victory. In its task of bringing to managers information to aid in improving their working effectiveness, AMA feels that its activities have contributed tangibly to the nation's war effort.

OF PROBLEMS THERE IS NO END

What were the most conspicuous spheres of interest to management during the past year? First, of course, were the problems attendant upon manpower stabilization and utilization. Intimately linked with them were developments in industrial relations, notably the increasingly vital role of collective bargaining. The problem of adjustment to governmental policies was a continuing one, yet during the year AMA received many indications that it was less burdensome than it had been in the early years of the war.

In light of the universal acceptance of the thesis that private enterprise can and will assure a high level of employ-

ment, management's rising concern with practical working plans for postwar activities was naturally an important trend of the year. Coincidentally, increasing concern with the exercise of sound controls over costs, production, and methods was a natural concomitant of post-war planning.

That managers find themselves particularly in need, during a period of rising business activity, of information derived by the process of mutual exchange (which is the essence of AMA's function) is clearly evidenced in AMA's statistical picture for the year 1943-1944.

THE STATISTICAL PICTURE

This was, on every count, AMA's largest year. During the past year, 12,082 members and non-members attended AMA's conferences, compared with slightly more than 8,800 during the preceding year. AMA's largest conference this year—the Personnel meeting held in Chicago, in February—drew an attendance in excess of 2,300, compared with a total attendance of 2,100 at all AMA conferences 10 years ago.

AMA publications also report new highs. The total number of booklets published as proceedings of AMA conferences was 40, with a total circulation of 46,639. This figure is exclusive of AMA's regular publications—THE MANAGEMENT REVIEW, PERSONNEL, and MANAGEMENT NEWS. In all, AMA's publications during 1943-1944 represented the equivalent in wordage of 12 standard-length novels.

New this year was THE CONFERENCE REPORTER, a booklet summarizing conference discussions, which is distributed

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TRENDS IN BUSINESS

GENERAL OUTLOOK

D-Day has come and gone, and the invasion appears to be proceeding according to schedule, perhaps even better than had been expected. It is still too early, however, to discount the possibility of major setbacks in the months ahead.

Business Week sums up the situation like this: "If the blitz works, it . . . will touch off an extensive conversion to civilian production in the U. S. If blitz tactics fail, production of war supplies will be stepped up and plans for reconversion will be pushed into the background. The first alternative is the one that is officially expected." Churchill's announcement that the war with Germany may end this summer bears out the latter statement.

Thirty per cent is still the more or less official figure for the cutbacks expected after victory over Germany, although a considerable body of opinion holds that this is a conservative estimate.

Meanwhile the slight decline in business activity which has been noted in recent months has apparently not been checked, although industrial production figures for May were approximately 50 per cent above those for May, 1941, with war goods accounting for 65 to 70 per cent of total production.

COMMODITY PRICES

Continuing the tendency of the past few months, the wholesale commodity price index rose fractionally in May, the increase being accounted for by the higher prices of some agricultural products. The Dun & Bradstreet wholesale food price index remained at \$4.01, unchanged from a month earlier, in the week ending June 13. This was .7 per cent below the comparative 1943 figure, but 9.3 per cent above the \$3.67 mark recorded two years ago.

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Trends in Business

(Continued)

CONSTRUCTION

For the first five months of this year, building permit values (Dun & Bradstreet figures, 215 cities) were 31 per cent above the corresponding period last year. The May figure, \$55,426,499, which was aided by a sharp upswing in New York permits, was 23.7 per cent above that for April, and 13.4 per cent above that for May, 1943.

A depressing note in construction reports is the finding of the semi-annual survey conducted by the National Association of Real Estate Boards. From answers received from real estate experts in 376 cities in all parts of the country, the Association estimates that housing construction in the first ten postwar years will hardly total more than 300,000 units annually. Postwar planners have been counting on an annual figure of around 1,000,000.

AGRICULTURE

If the weather holds good, the 1944 wheat crop is expected to be the largest in history, 1,034,785,000 bushels. Prospects for most fruits are also excellent.

It is now estimated that farmers' cash income in 1944 will be \$20,011,000,000 compared with \$19,764,000,000 in 1943. The expected increase will not, however, offset the expected rise in the prices of goods the farmers buy; and as a result, farm purchasing power is expected to be 3 per cent smaller than in 1943.

DISTRIBUTION

Retail activity in May and the first half of June was sustained at a high level as warmer weather and pre-vacation buying of seasonal apparel and accessories spurred sales. Gains were registered in all sections of the country, with the largest increases in the South, the Southwest, and the Pacific Coast areas.

Bumper food crops augur well for the civilian food supply, but *Business Week* predicts that meat rationing will be extended to choice cuts of pork, lamb, and veal by July 1. Complaints of maldistribution, it declares, have led officials to believe that a return to rationing of these items may enjoy actual popularity.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

HEARD AT AMA MEETINGS

THE RIGHT TO STRIKE

When the government moves out of its wartime place as direct participant in industrial relations, William H. Davis, Chairman of the National War Labor Board, declared at the Collective Bargaining Conference, May 24 in New York City, there will be two alternatives open for the settling of labor disputes: the right to strike and government arbitration.

"My advice to you," Mr. Davis told the executives present, "is to take the right to strike. In the end, you will come out better."

"I think it is silly," he added, "to talk about arbitrating the basic agreement. In fact, courts in the state of New York held for years that the Arbitration Act was not validly applied to the arbitration of a future contract. We had the statute amended, but I think it was unwise to do so."

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LITTLE STEEL FORMULA

The Little Steel formula will be upped before the next election, Thomas Roy Jones, President of American Type Founders, predicted at the Collective Bargaining Conference. "Mr. Davis and his board may go through great mental gyrations to make themselves believe that the upping, in whatever guise it may come, is a matter of justice, and something which he and his board evolved out of their own minds," he said, "but it is quite certain that the focal points of these great mental efforts will occur at the right psychological moment before the election."

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INSURANCE HAZARDS

When employee insurance providing surgical benefits is introduced into a plant, a great many workers suddenly decide to have the children's tonsils out, E. B. Whittaker, Second Vice President and Associate Actuary, The Prudential Insurance Company of America, reported at the Insurance Conference, May 8 and 9 in New York.

They are not so eager, however, to be operated on themselves. "Very few adults," Mr. Whittaker said, "will submit to an operation merely to be reimbursed by insurance."

Mr. Whittaker also warned that it is well not to have maternity benefits begin immediately, as they do in some plans. When the word gets around town that a certain employer is providing immediate

maternity benefits, he pointed out, pregnant women may flock to obtain jobs in the plant.

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GUARANTEEING PIECEWORK

If a piecework price is to be guaranteed, what happens when the time study man makes a bad mistake?

It is perfectly feasible, according to speakers at the Production Conference, April 19-20 in Chicago, to let the mistake stand—or at least that is better than to shake belief in management's good faith.

"If a mistake is made," said H. E. Howard, Production Manager, Norton Company, "we do not make a cutback. The operator is the winner, and the time study man is the fellow who hears a lot of talk about it."

Similarly, James F. Lincoln, President of The Lincoln Electric Company, stated in reply to a question: "Rates out of line because they are too low are corrected; those that are too high are allowed to stand. But the latter remain as glaring reminders to the time study man that he made a big mistake—and so he does not make many of them."

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TERMINATION PROBLEMS

Wholesale termination of war contracts at the ending of the European phase of the war could easily aggregate \$75,000,000,000, Clarence L. Colens, President of The Reliance Electric & Engineering Company, estimated at the Production Conference.

On the termination of \$75,000,000,000 in war contracts, he added, at least \$25,000,000,000 of working capital might be tied up. "It is estimated," he said, "that industry, in order to undertake some of the problems of reconversion and readjustment that will be necessary at that time, as well as to be able to pay some of its outstanding liabilities, must, within 30 days, realize \$12,000,000,000 out of that frozen working capital."

"Present procedures do not permit the liquidating of that frozen inventory as promptly as that, but the whole question of procedures and rules and regulations relating to termination is at the present in a melting pot period. I think we see indications of progress being made, and that ultimately there will emerge procedures and regulations which will permit of prompt handling of future termination claims."

RESEARCH DEPARTMENT

Bringing Foremen into Management

Everything connected with the selection and training or the work of foremen has had the spotlight of special interest thrown on it in recent months by the foremen's strike in Detroit. Top management is asking itself all sorts of questions and is saying its "mea culpa" in many ways.

There are perhaps two leading questions:

1. Why do foremen think of themselves as employees rather than executives?
2. What can top management do to bring foremen back into the executive family?

EXECUTIVE BULLETINS

Among the suggested answers to the second question is the company magazine or bulletin published especially for the executives of the company—including, of course, the foremen. Company bulletins to the executive staff are in all probability used in many companies, although no doubt most of these are in the nature of announcements sent irregularly as occasion arises. The idea is to extend the circulation of such bulletins to the foreman group as an evidence that they are accepted as executives.

SUBJECT MATTER AVAILABLE

One sample bulletin which AMA has received shows that there is considerable subject matter available for such use. In this case the company publishes bulletins one page long, and mimeographed. They show changes in the executive staff and promotions. They announce company social events and results of such events as the Red Cross Drive. They give important changes in salary and wage standardization rules, and report legislation affecting the company—for example, a women's equal pay law which becomes effective in the state this summer. In addition, the bulletins occasionally give brief outlines of material of special interest to executives in new books received by the company library. One such article, for example, dealt with the traits common to successful executives as analyzed by a survey of 150 outstanding men in business.

A "KIPLINGER LETTER"

Another company has reported to AMA its practice of preparing a sort of "Kiplinger Letter" for its foremen. (In

this case the letter goes only to the foremen, not to the whole executive staff.) It gives special attention to problems arising out of salary and wage standardization, seniority under the union contract, War Labor Board decisions of interest, and similar matters.

A company magazine for foremen in another company is beginning its fourth volume, but has been in abeyance for some time and is now being revived. According to its foreword, it will attempt to include "departmental activities,

management page, new methods, safety, supervisory training, personal and social column, gripes, sports, hobbies and humor." While this magazine is in mimeographed form, it has an attractive printed stiff paper cover.

The AMA Research Department would appreciate any information as to other magazines or bulletins for foremen and would like to receive sample issues of such publications. We should also be glad to have the opinion of those who have given thought to this subject on the value of such a publication, and should like especially to have opinions on whether such a publication can be made interesting and helpful to all executives, including the foreman group.

WHAT MANAGERS ARE SAYING

COLLECTIVE BARGAINING

Your article in *Management News*, issue of April 26, on the present status of collective bargaining fits our situation exactly. The simile you used is very apropos, except that we have practically lost our wife and child and our remaining horse, and a few of us feeble-minded fellows are trying to pull the sleigh ourselves.

Seriously, I like your idea about going after a management security clause. It might interest you to know that after much struggling during negotiations on our last contract, we did succeed in getting the Shipbuilding Commission of the War Labor Board to make the grievance procedure clause in our labor contract cover presentation and settlement of grievances of the company as well as those of the union. This was a slight move in the direction you indicate.

You might also be interested to know that another company dealing with the same union tried to write into the contract a penalty for stoppages and violations of the contract. Company and union, it was proposed, would each put into escrow a sum of money—\$10,000 I believe it was—which would be subject to forfeiture upon violation of the contract. The matter went to the Shipbuilding Commission, and I understand it was thrown out because neither side could point to cases in which violation could be established beyond a doubt.—President, Shipbuilding Company.

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AMA CONFERENCE

This letter is unusual in that the writer is not a person ordinarily addicted to dispatching letters of congratulation at every opportunity. Nevertheless, I am urged to communicate with you at the present time to tell you that the Collective Bargaining Conference held in New York seemed to me to be the most productive conference I have attended in the last ten years.

There are several reasons why I feel the way I do. First, it seems to me that there are many men like myself charged with the responsibility of negotiating contracts with unions throughout the country who have little opportunity to discuss our problems with each other. It seems that each of us is too busy with our own peculiar union problems to help the other fellow. This particular conference afforded all of us an opportunity to get the first glimpse of what industry should be trying to do in order to fit into a gen-

eral pattern. I feel that the general pattern was very clearly explained; and, God knows, we should have this type of guidance, for the unions have done a far better job in setting up their national programs than we in industry have.

Second, this conference seemed to me to be rather unusual in that there was little theory expounded by anyone, and in the very first session we tackled the problem in a practical manner.

Should you have another one next week, I would be there.—Manager of Employee Relations, Manufacturing Company.

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ORGANIZATION STRUCTURE

The organization of one of our divisions, I think, is of special interest. Full application is given to the line and staff principle, of course, but an unusual feature—which may appeal particularly to those interested in the philosophy of organization—is injected by the grouping of the staff functions under the three principal phases of management responsibility which the line organization possesses, viz., planning, execution, and results control.

I am not familiar with any similar approach to this in past management practice, and I think you will find that it represents a very constructive and practical refinement.

There is no implication, of course, that the staff members grouped under planning have no responsibility for operations or results control staff work, or vice versa, but the grouping seems to us to be the logical one.—Manufacturing Executive.

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MANAGEMENT AND THE PRESS

There are appearing daily in the newspapers statements made in respect to industry and management which are obviously false and incorrect. There seems to be no concerted effort to refute these statements and, having once appeared in the newspapers, the statements receive rather general acceptance.

To counteract these statements, it would seem that newspapers should be asked to carry articles definitely correcting the false impressions which have been created. This, of course, is not a new idea, but there appears to be no concerted planning for meeting the situation.—Executive Vice President, Manufacturing Company.

ACTIVITIES of the AMA

Batt Calls Government Participation In Postwar Economic Life Inevitable

"Looking at the long trend, it seems to me that some continuing participation of government in the whole of our economic life is inevitable," William L. Batt, President of SKF Industries, Inc., and Vice Chairman of the War Production Board, told AMA members at the annual dinner, June 15 at the Hotel Pennsylvania, New York City. "Let us see," he added, "that it is good government. Then if it moves in, as I am convinced it will—and to a large extent because we shall ask it to—it will move in, in reasonably beneficent fashion."

Mr. Batt warned also that to the extent that business fails to provide jobs, any administration, Republican or Democratic, will step in to fill the gap. "Make no mistake," he said, "the average American citizen has clearly concluded that we ought to be smart enough to find work for him if he is able and willing to work."

The federal tax budget in the postwar period, Mr. Batt predicted, will be in the neighborhood of \$20,000,000,000, but the country can carry the load if the economy turns over as it should.

"I don't see any other answer," he said, "except an economy turning over at a high rate of speed producing a large volume of goods at low prices, and an economy buying and selling goods abroad. I cannot see how that can come about without a far sounder tax policy. There must be not just a moderate reduction of corporate taxes, but a heavy reduction, in order to encourage business to a higher degree of turnover."

Mr. Batt recommended also an "emotional approach" to the problems of the postwar period and suggested that they be pointed up in substantially the same way as the national emergency after Pearl Harbor—through declarations by the President and Congress.

The second speaker was Professor Erwin H. Schell, AMA Vice President for the Production Division and in charge of the Department of Business and Engineering Administration, Massachusetts Institute of Technology.

Professor Schell summed up a number of trends in business which have become evident in the past few years, among others: (1) the tendency to accept the fact that a man can have more than one loyalty—that he can be loyal to his union and to the company as well; (2) the growing realization

that "in our relationship with human beings we had better deal with them in a constructive way because, while we may be able to dictate to them today, tomorrow we have to beg of them"—as a case in point Professor Schell cited the changed relationship between purchasing agents and salesmen; (3) the growth of a new type of obsolescence, the obsolescence of sheer inadequacy; and in this connection, he suggested, it might be that the corporation as a form of organization was becoming outmoded, just as the proprietorship was in the past; (4) management's increasing realization that "there is knowledge and truth in the minds of workers which is profoundly valuable to management."

The President's Scratch-Pad

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within a few days after the meetings. The function of THE CONFERENCE REPORTER is to make available a digest of the conference papers, pending editing and printing of the complete proceedings. It is available only to persons registering at and attending the conference sessions.

AMA's Information Service similarly reflected the increased growth of AMA's membership, and inquiries received by it ranged over the entire field of managerial problems. Widely acclaimed by the AMA membership was Research Report No. 4: *How to Establish and Maintain a Personnel Department*. On the press now and to be distributed shortly to the membership is Research Report No. 5: *A Company Guide to Marketing Research*. Other research reports are in preparation and will be distributed to AMA membership during the year.

All these evidences of growth are, of course, sources of gratification to the officers, directors, and staff of AMA, especially when it is realized that this growth has not been war-created. The rise in membership and the growth of its services have been steady for almost ten years

Alvin E. Dodd

Officers Elected; Ivan Willis Heads Personnel Division

William L. Batt, President of SKF Industries, Inc., and Vice Chairman of the War Production Board, was re-elected Chairman of the Board of the American Management Association at the annual business meeting, held on June 15, at the Hotel Pennsylvania, New York City.

Also reelected were Thomas Roy Jones, President, American Type Founders, Inc., Chairman of the Executive Committee; Harold V. Coes, Vice President, Ford, Bacon & Davis, Inc., Chairman of the Finance Committee; Alvin E. Dodd, President; James L. Madden, Third Vice President, Metropolitan Life Insurance Company, Treasurer; Henry J. Howlett, Secretary; and James O. Rice, Assistant Secretary. Miss J. M. Sanchez, assistant to Mr. Madden, was chosen Assistant Treasurer.

NEW VICE PRESIDENTS

New vice presidents in charge of divisions are Ivan L. Willis, Director of Industrial Relations, Curtiss-Wright Corporation, for Personnel; A. M. Schmidt, Insurance Manager, Johns-Manville Corporation, for Insurance; and Albert W. Luhrs, President, Container Testing Laboratories, for Packaging.

DIRECTORS CHOSEN

Directors elected for the three-year term ending 1947 are: Lawrence A. Appley, Vice President, Vick Chemical Company; Joseph Givner, Merchandising Executive, R. H. Macy & Company, Inc.; William F. Lund, Manager, Insurance and Office Planning Section, United States Rubber Company; Joseph P. Healey, Assistant Treasurer, Airplane Division, Curtiss-Wright Corporation; P. G. Wharton, General Auditor, The Atlantic Refining Company; Thomas G. Spates, Vice President, Industrial Relations, General Foods Corporation; Charles S. Craigmile, Executive Vice President, Belden Manufacturing Company; Walter C. Hill, President, Retail Credit Company; C. L. Huston, President, Lukenweld, Inc.; and John M. Wilson, Jr., Vice President, Sales, National Cash Register Company.

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